



BASIC FACTS ABOUT SBA DISASTER LOAN PROGRAMS

In the wake of hurricanes, floods, earthquakes, wildfires, tornadoes and other physical disasters, the U.S. Small Business Administration (SBA) plays a major role. SBA's disaster loans are the primary form of federal assistance for nonfarm, private sector disaster losses. For this reason, the disaster loan program is the only form of SBA assistance not limited to small businesses. Disaster loans from SBA help homeowners, renters, businesses of all sizes and nonprofit organizations fund rebuilding. SBA's disaster loans are a critical source of economic stimulation in disaster ravaged communities, helping to spur employment and stabilize tax bases.

By providing disaster assistance in the form of loans, which are repaid to the Treasury, the SBA disaster loan program helps reduce federal disaster costs compared to other forms of assistance, such as grants. When disaster victims need to borrow to repair uninsured damages, the low-interest rates and long-terms available from SBA make recovery affordable. Because SBA tailors the repayment of each disaster loan to the borrower's financial capability, unnecessary interest subsidies paid by the taxpayers are avoided. Moreover, providing disaster assistance in the form of a loan rather than a grant, avoids creating an incentive for property owners to underinsure against risk. Disaster loans require borrowers to maintain appropriate hazard and flood insurance coverage, thereby reducing the need for future disaster assistance.

The need for SBA disaster loans is as unpredictable as the weather. As of April 30, 2006, SBA approved 136,896 loans for \$8.9 billion. Since the inception of the program in 1953, SBA has approved over 1.8 million disaster loans for over \$43.3 billion.

The SBA is authorized by the Small Business Act to make two types of disaster loans:

Physical disaster loans are a primary source of funding for permanent rebuilding and replacement of uninsured or underinsured disaster damages to privately-owned real and/or personal property. SBA's physical disaster loans are available to homeowners, renters, businesses of all sizes and nonprofit organizations.

Economic injury disaster loans provide necessary working capital until normal operations resume after a physical disaster. The law restricts economic injury disaster loans to small businesses only.

The disaster program is SBA's largest direct loan program, and the only SBA program for entities other than small businesses. By law, neither governmental units nor agricultural enterprises are eligible; agricultural producers may seek disaster assistance from specialized programs at the U.S. Department of Agriculture.

Disaster victims must repay SBA disaster loans. SBA can only approve loans to applicants with a reasonable ability to repay the loan and other obligations from earnings. The terms of each loan are established in accordance with each borrower's ability to repay. The law gives SBA several powerful tools to make disaster loans affordable: low-interest rates (around 4 percent), long-terms (up to 30 years), and refinancing of prior liens (in some cases). As required by law, the interest rate for each loan is based on SBA's determination of whether each applicant does or does not have credit available elsewhere (the ability to borrow or use their own resources to overcome the disaster). Generally, over 90 percent of SBA's disaster loans are to borrowers without credit available elsewhere and have an interest rate of around 4 percent.

SBA delivers disaster assistance through our four specialized centers: National Customer Service Center - Buffalo, NY; Field Operations Center East - Atlanta, GA; Field Operations Center West - Sacramento, CA and the National Loan Processing and Disbursement Center - Fort Worth, TX.